

**Charter School Facilities Program  
Proposition 51 Funding Round  
Staff Summary Report – January 2018**

<b>Applicant/Obligor:</b>	Rise Kohyang High School
<b>Project School:</b>	Rise Kohyang High School
<b>CDS (County – District – School) Code:</b>	19-64733-0133868
<b>School Address/Proposed Site:</b>	S. Benton Way / W. 6 <sup>th</sup> Street, Los Angeles
<b>Type of Project:</b>	New Construction
<b>Type of Apportionment:</b>	Preliminary Apportionment
<b>County:</b>	Los Angeles
<b>District in which Project is Located:</b>	Los Angeles Unified School District
<b>Charter Authorizer:</b>	Los Angeles Unified School District
<b>Total OPSC Project Cost:*</b>	\$47,933,354
<b>State Apportionment (50% Project Cost):</b>	\$23,966,677
<b>Lump Sum Contribution:</b>	N/A
<b>Total CSFP Financed Amount:</b>	\$23,966,677
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$1,222,762
<b>First Year of Occupancy of New Project:</b>	2020-21

*\*The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Bright Star Schools on behalf of Rise Kohyang High School (“School” or “RKHS”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Rise Kohyang High School electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Rise Kohyang High School. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>School Information</b>	
Eligibility Criteria	RKHS has met all eligibility criteria: (1) RKHS has not been in operation for more than 2 years but meets the supplementary requirement of having key personnel with experience operating and/or managing a California charter school for at least two years; (2) RKHS's charter was approved in July 2016 and is in place through June 2021; (3) RKHS is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	RKHS is in its second year of operation and therefore has no student data for comparison.
Demographic Information	RKHS currently serves 180 students in grades 9 and 10 with the intention of serving grades 9-12 in 2019-20. Enrollment in 2018-19 is expected to be 335 students. ADA rates are projected to be 95%, which staff find reasonable.
Debt Service Coverage	RKHS projects debt service coverage ratios for 2021-22 and 2022-23 of 187.6% and 136.9%, respectively.
Other Financial Factors	Bright Stars Schools has stated the CMO will be willing to commit as much as \$500,000 towards RKHS's matching share if necessary.

**Program Eligibility:** On October 6, 2017, at CSFA staff's request, verification was received from Bright Star Schools confirming that Rise Kohyang High School (1) is in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority. Rise Kohyang High School's current charter is effective through June 2021.

**Legal Status Questionnaire:** Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

**Project Description:** RKHS proposes to use the CSFP funds to construct a new high school (grades 9th -12th) facility for its program. The new school facility would be located as close as possible to the communities it already serves, with the center of its site search area at the intersection of S Benton Way and W 6th St. in the center of Los Angeles's Koreatown, RKHS's target location.

The project will be a new construction project built with permanent construction. The proposed main school building would be three stories and include 22 teaching stations, three auxiliary rooms for the arts, a library and media room, two multipurpose rooms, counseling and administrative offices. This building would have an area of approximately 37,000 square feet. Outdoor landscaped and hardscaped areas will be created around the building, including an outdoor eating space. A ground level parking area will be incorporated into the space plan, and will include a student loading area, preferably adjacent to the entryway to the main building and administrative space. The new campus will also include

green features that would promote water efficiency, energy efficiency, greenhouse gas emission reduction, materials and waste management, and indoor environmental quality. The proposed buildings would be designed to qualify for certification of the Collaborative for High Performance Schools (CHPS) program.

**CMO Organizational Information:** Bright Star Schools began with the goal of bringing college-preparatory education to residents of Los Angeles' historically underserved West Adams neighborhood. Bright Star's first charter was approved by LAUSD in 2003, with Stella Middle Charter Academy opening in August of that year. This was followed by Bright Star Secondary Academy in 2006, Rise Kohyang Middle School in 2012, Valor Academy Middle and High Schools in 2013, and most recently Valor Academy Elementary School and RKHS.

The campuses are located throughout Central City Los Angeles, Koreatown, Inglewood and the San Fernando Valley. The seven campuses serve over 2,700 students. Overall 92% of Bright Star Students qualify for free and reduced price lunches. 19% are English Language Learners. 83% of students are Hispanic.

Bright Star's strategic and financial partners include: the Ahmanson Foundation, the Annenberg Foundation, the Eli & Edith Broad Foundation, California Community Foundation, Lowe's Charitable and Education Foundation, and the Walton Family Foundation. Bright Star's CEO is Hrag Hamalian, who previously served as founder and executive director of Valor Academy and also served with Teach for America and Building Excellent Schools. Mr. Hamalian has a Bachelor's from Boston College, an MBA from UCLA and a Masters in Secondary Education from Loyola Marymount.

Bright Star Education is overseen by a 16 member Board of Directors that includes: Monica Rosio Briseno; Kimako Desvignes; Greg Gonzalez; Stephen Green; Larry Klein; George Leftwich; Lois Levy; James McGrath; Andrew Murr; Esther Perez; Louisa Wee; Julie Robles; Carrier Wagner; Andrew Wang; David Valentine; and Elizabeth Yeo.

**School Organizational Information:** RKHS is a public charter school located within the boundaries of the Los Angeles Unified School District and is authorized by the Los Angeles Unified School District. RKHS's charter was approved by the Los Angeles Unified School District on July 1 2016 and is active through June 30 2021. The school is a direct-funded independent charter school and is operated by a California public benefit corporation with IRS approved 501(c)(3) status, Bright Star Schools, which oversees six other schools in greater Los Angeles. RKHS operates autonomously from the District, with the exception of the supervisory oversight as required by statute and other contracted services as negotiated between the District and the School.

RKHS's mission is to prepare low-income, urban students, typically students who will be the first in their family to attend college, for higher education. RKHS has so far been able to successfully prepare and retain students by offering the following: an extended school day and longer calendar year; an unyielding focus on ensuring students' literacy and numeracy skills; teaching methodologies that have proven successful in urban settings; high expectations behaviorally and academically; frequent student/academic assessments and

data driven professional development; a strict code of conduct and character building opportunities; specialized teachers; parental and community involvement in the life of student education; individual assessment; and structured support. Ninety-three percent of RKHS's student population qualifies for free and reduced price lunches. Eighteen percent of the student body are English Language Learners and 12% are students with disabilities. RKHS has a highly diverse student body, with a 55% Hispanic population, 27% Asian and 7% African American.

RKHS students develop a sense of self-worth and respect for their heritage and the cultural heritage of others through arts, literature, social studies, science and math. Students receive an enriched curriculum in language arts, math, history and science thanks to the strength of the school's teachers and administrators. The school's students work to become proficient in both English and their native language. Students demonstrate cooperative social behavior and a sense of responsibility toward their school, home and community through RKHS's Connectors program, advisory and character building programs, and community service. Students are exposed to career post-secondary opportunities and develop personal and professional life goals through exposure to local leaders and RKHS's partnerships with local businesses and community organizations.

RKHS is overseen by the same 16 member Board of Directors that oversees Bright Star, and includes: Monica Rosio Briseno; Kimako Desvignes; Greg Gonzalez; Stephen Green; Larry Klein; George Leftwich; Lois Levy; James McGrath; Andrew Murr; Esther Perez; Louisa Wee; Julie Robles; Carrier Wagner; Andrew Wang; David Valentine; and Elizabeth Yeo.. Staff has reviewed the credentials of the key board member and determined them to have the proper background and experience to govern and effectively oversee the operations of Rise Kohyang.

**School Academic Performance:** RKHS does not have any academic data as it has only begun operations in 2016-17. The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of the combined averages of Belmont Senior High and Los Angeles High School of the Arts (Local Schools), Los Angeles Unified School District (District), and Los Angeles County (County). The results are provided through CDE's CAASPP Smarter Balanced testing data. Please note there is not a "All Student Performance" measure for high schools.

#### **English Language Arts – Comparison**

	Years		
	2014-15	2015-16	2016-17
Local Schools	53%	45%	44%
District	33%	39%	40%
County	42%	46%	47%

#### **Mathematics– Comparison**

	Years		
	2014-15	2015-16	2016-17

Local Schools	17%	18%	15%
District	25%	28%	30%
County	31%	35%	36%

**Enrollment Trends and Projections:** The tables below present enrollment information for RKHS from 2016-17 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data and CMO performance in the area.

**School Student Enrollment and Average Daily Attendance**

<b><u>RKHS</u></b>	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	74	180	335	480	535	550	550
ADA	95.9%	95.0%	94.9%	95.0%	95.0%	95.1%	95.1%

**District Financial Analysis:**

**Financial Data Sources:** This financial analysis is based the follow: (1) audited financial statements for 2015-16 and 2016-17; (2) adopted budget for 2017-18; and (3) budget projections for 2018-19 through 2022-23 along with assumptions.

**Assumptions:** RKHS's financial projections are based upon the following assumptions: (1) occupancy of the new construction projects in 2020-21; (2) Enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected ADA rates of 95.5%, which are consistent with historical and CMO performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$11,475 for 2017-18; (5) an assumed expenditure COLA rate of 2.0%; and (6) an assumed revenue COLA rate of 1.5%.

**Long Term Liabilities:** As provided by the 2016-17 audited financial statements, RKHS has no long-term liabilities.

**Private Contributions:** RKHS projects very conservative fundraising and contribution income for the project budgets. RKHS projects an average of about \$5,500 a year which accounts for 0.1% of operating revenues which is much lower than the Authority's threshold of 15%.

**Benchmark Summary and Analysis:** The following table and summary listing sets forth the results of staff's analysis regarding RKHS's financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS								
	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
<b>OPERATIONAL &amp; FINANCIAL</b>								
Enrollment	-	74	180	335	480	535	550	550
Average Daily Attendance (ADA)	-	71	171	318	456	508	523	523
Average Daily Attendance (%)	-	95.9%	95.0%	94.9%	95.0%	95.0%	95.1%	95.1%
LCFF Sources/ADA	-	\$ 11,279	\$ 11,475	\$ 11,920	\$ 12,242	\$ 12,746	\$ 12,628	\$ 12,817
% Change	-	-	1.7%	3.9%	2.7%	4.1%	-0.9%	1.5%
Operating Revenues/ADA	-	\$ 20,068	\$ 14,564	\$ 14,210	\$ 14,640	\$ 15,310	\$ 15,169	\$ 15,396
% Change	-	-	-27.4%	-2.4%	3.0%	4.6%	-0.9%	1.5%
Operating Expenses plus CSFP Lease/ADA	-	\$ 20,030	\$ 14,268	\$ 13,014	\$ 12,981	\$ 12,815	\$ 13,343	\$ 13,563
% Change	-	-	-28.8%	-8.8%	-0.3%	-1.3%	4.1%	1.6%
Free Cash Flow/ADA	-	\$ 38	\$ 296	\$ 1,196	\$ 1,659	\$ 2,495	\$ 1,826	\$ 1,833

	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
<b>DEBT SERVICE COVERAGE</b>								
Total Operating Revenues	\$ 250,000	\$ 1,424,854	\$ 2,490,419	\$ 4,518,718	\$ 6,675,905	\$ 7,777,675	\$ 7,933,228	\$ 8,052,229
Total Operating Expenses	181,666	1,422,160	2,439,744	4,138,379	5,919,305	6,510,090	5,755,661	5,870,776
Total Other Sources/Uses	-	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	68,334	2,694	50,675	380,339	756,600	1,267,585	2,177,567	2,181,453
Add Back Capital Outlay	-	-	-	-	-	-	-	-
Add Back Depreciation	-	-	14,777	11,667	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	68,334	2,694	65,452	392,006	756,600	1,267,585	2,177,567	2,181,453
CSFP Lease Payments	-	-	-	-	-	-	1,222,762	1,222,762
Free Cash Flow	\$ 68,334	\$ 2,694	\$ 65,452	\$ 392,006	\$ 756,600	\$ 1,267,585	\$ 954,805	\$ 958,691
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	178.1%	178.4%
DSC from LCFF Sources subject to CSFA Intercept	N/A	N/A	N/A	N/A	N/A	N/A	445.6%	452.3%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	15.4%	15.2%
<b>FUNDRAISING</b>								
Fundraising for Operations	\$ 250,000	\$ 75,977	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,610	\$ 5,694
Fundraising/Oper. Revenues	100.0%	5.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	177.6%	177.9%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	-16919.7%	-16736.9%
<b>LIQUIDITY</b>								
Current Assets	\$ 71,627	\$ 620,731						
Current Liabilities	47,624	579,257						
Net Working Capital	\$ 24,003	\$ 41,474						
Net Working Capital/Oper. Expenses	13.2%	2.9%						
Unrestricted Cash & Cash Equivalents	\$ -	\$ 253,397						
Unrest. Cash & CE/Oper. Expenses (Days)	0	65						
Unrest. Cash & CE/All Expenses (Days)	0	65						

**Benchmark Summary:**

- Free Cash Flow/ADA – Met: \$1,335 avg. (>\$0)
- Free Cash Flow – Met: \$446,617 avg. (>\$0)
- Debt Service Coverage from Adjusted Net Income: 178.1% and 178.4%
- Net Working Capital as Portion of Operating Expenses – Met: 8.1% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Not Met: 33 days (> 90 days)

**Additional Considerations:** Bright Stars Schools has stated the CMO will be willing to commit as much as \$500,000 towards RKHS's matching share, if necessary. Though RKHS is financially sound without this lump sum, Bright Star School may provide a lump sum if beneficial or necessary.

**Strengths, Weaknesses and Mitigants:**

- + RKHS projects debt service coverage ratios for 2021-22 and 2022-23 of 187.6% and 136.9%, respectively.
- + As of June 30, 2017, RKHS has no long-term liabilities or debt to be paid.
- As of June 30, 2017, RKHS has \$41,474 which is 2.9% of operating expenses.
- +/- RKHS is a part of a large, mature charter network with a CMO willing to provide as much as \$500,000 towards the project's matching share as well financial support, if necessary at the time of Final Apportionment.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that Bright Star Schools on behalf of Rise Kohyang High School is financially sound for the purposes of Charter School Facilities Program Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Rise Kohyang High School electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.